

Message Text

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TO SECSTATE WASHDC 7586

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E.O. 11652: N/A
TAGS:EAIR
SUBJECT: CIVAIR - INTER AIRLINE MEETING IN COLOGNE

REF: STATE 085143

SUMMARY: EMBASSY REPS ATTENDED APRIL 20 INTER-AIRLINE
(PAA, SW, DLH) TALKS ON AIR-CARGO RATES AND TRUCKING.
CARRIERS AGREED TO ASK THEIR RESPECTIVE GOVERNMENTS
FOR AN EXTENSION OF THE APRIL 26, 1976 MOU TO OCTOBER
31, 1977. MEANWHILE, DLH WILL HEAD A THREE-CARRIER
WORKING GROUP ON INTERNAL FRG TRUCKING. END SUMMARY.

1. EMBASSY REPS ATTENDED THE APRIL 20 INTER AIRLINE
MEETING AT DLH AIRPORT FACILITY COLOGNE/WAHN. KLAUS
NEUMEISTER OF DLH (SUCCESSOR TO KOEHLER) CHAIRED THE
MEETING AND WAS ACCOMPANIED BY MESSRS. ROBERT MOERS
AND HAROLD SCHOENING OF DLH. DR. STUKENBERG WAS
OBSERVER FOR THE FEDERAL MINISTRY OF TRANSPORT.
MAURICE FITZGIBBON AND WENDELL STEVENS WERE ACCOMPANIED
BY THEIR LOCAL CARGO MANAGERS, MESSRS, GUSTAV PATZINA
(PAA) AND OSWALD BUTTLER (SW).

2. IN A SORT OF JOINT OPENING STATEMENT, PAA AND SW
REPS NOTED THAT AT PRESENT OPERATIONS WERE STILL CON-
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DUCTED UNDER THE TERMS OF THE APRIL 26, 1976 MOU
BETWEEN THE TWO GOVERNMENTS, BUT THAT THE MOU AFTER
TWO EXTENSIONS WAS DUE TO EXPIRE ON MAY 31, 1977.
THEY EXPRESSED THE HOPE THAT THE MEETING WOULD AFFORD
AN OPPORTUNITY TO REVIEW
THE SITUATION WITH RESPECT TO RATES AND CURRENT DIVER-
SION OF TRAFFIC, IN ADDITION TO IMPORTANT ELEMENTS OF

TRUCKING, BOTH WITHIN THE FRG AS WELL AS BORDER-CROSSING. FINALLY THEY NOTED THEIR DESIRE TO COME TO SOME UNDERSTANDING AMONG THE CARRIERS BEFORE THE GOVERNMENTS GET TOGETHER AGAIN.

3. VIRTUALLY THE ENTIRE MORNING SESSION WAS TAKEN UP WITH A DISCUSSION OF PROBLEMS RELATING TO THE ABORTIVE IATA ATTEMPT AT THE GENEVA CONFERENCE LAST YEAR TO REINTRODUCE RESOLUTION 507B, WHICH MET WITH TWO NEGATIVE NOTES (TMA AND DLH). DLH EXPLAINED IT FELT COMPELLED TO MAKE THIS VOTE BECAUSE UNDER THE PROPOSED 507B, THE SITUATION WOULD HAVE BEEN BACK TO THE ORIGINAL STATE AND THUS IN CONTRAVENTION OF A VALID FRG GOVERNMENT ORDER ON WHICH THE US/FRG MOU IS BASED. DLH THEREFORE WOULD LIKE TO SEE AN EXTENSION OF THE MOU BEYOND THE DATE OF THE FORTHCOMING VANCOUVER CONFERENCE. WHILE THE CARRIERS APPEARED PREPARED TO LIVE WITH SUCH AN ARRANGEMENT FOR THE TIME BEING, SW POINTED OUT THAT THE UPHOLDING OF FRG GOVERNMENT ORDER AT VANCOUVER WOULD BE UNSATISFACTORY. CARRIERS SHOULD MAKE AN EFFORT TO SEE THAT RESTRICTIONS ON TRUCKING, BOTH IN THE FRG AND THE US, ARE NOT PURSUED FURTHER. AT THIS POINT DR. STUKENBERG INJECTED A REFERENCE TO THE NOVEMBER 3, 1976 CAB "SHOW CAUSE ORDER" ON TRUCKING RESTRICTIONS IN THE US, SAYING THERE APPEARED LITTLE INCENTIVE TO DISCUSS LIBERALIZATION OF TRUCKING HERE WHEN AT THE SAME TIME THE CAB EXPECTED TO INTRODUCE RESTRICTIONS. US CARRIER REPS GAVE A DETAILED EXPLANATION ON THE STATUS

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OF THE ORDER AND THEIR OWN MOTIVATION IN FILING OBJECTIONS. THEY ADDED THAT THE FRG'S ATTITUDE MAY HAVE QUITE AN EFFECT ON THE OUTCOME OF THE "SHOW CAUSE" ORDER. US CARRIER REPS ALSO FELT THAT AN INDICATION THAT DLH WILL BE PERMITTED TO PARTICIPATE IN DISCUSSIONS OF AN IMPROVED 507B WOULD BE HELPFUL. IN RESPONSE, DR. STUKENBERG REPEATED HIS STANDARD ARGUMENTS RE TIE-IN BETWEEN TRAFFIC RIGHTS AND THEIR EXERCISE TO TRUCKING AND HIS LEGAL PROBLEMS DUE TO STATUTORY LIMITATIONS OF THE FMT AUTHORITY FOR APPROVAL OF RATES FOR AIR TRANSPORTATION ONLY. HE CONCEDED THAT THE SITUATION WAS SOMEWHAT DIFFERENT IN THE US BECAUSE FORWARDERS CAN OBTAIN CERTIFICATES AS "INDIRECT AIR CARRIERS" WHICH IS NOT POSSIBLE UNDER GERMAN LAW. THE RATE STRUCTURE MUST THEREFORE PROVIDE A WAY FOR A SOLUTION.

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4. AT THIS POINT NEUMEISTER OBSERVED THAT WHILE IATA SUPPOSEDLY LOOKED FOR WORLDWIDE SOLUTIONS, CARRIER REPS PRESENT ARE LOOKING AT POSSIBILITIES BEST FOR A GIVEN REGION, IN THIS CASE THE US/FRG MARKET OR PERHAPS THE US-EUROPEAN REGION. SW REP CONSIDERED THIS A VERY VALID POINT. IN VIEW OF TECHNOLOGICAL ADVANCES, SHIPPERS ARE BEST SERVED BY A COMBINED AIR/ GROUND TRANSPORTATION SYSTEM WHEREVER GOOD GROUND TRANSPORTATION FACILITIES EXIST. THIS WOULD ALSO FURTHER THE CONTINUED DEVELOPMENT OF INTERMODAL TRANSPORTATION. PAA REP ADDED THAT CARRIERS ASSEMBLED MIGHT INITIALLY APPROACH THE PROBLEM ON A COUNTRY-TO-COUNTRY BASIS, BRINGING INTO A SOLUTION COUNTRIES LIKE FRANCE, ITALY AND ENGLAND AND FINALLY IATA. A DISTINCTION MIGHT ALSO BE MADE BETWEEN IN-COUNTRY AND TRANS-BORDER TRUCKING. REFERRING BACK TO DR. STUKENBERG'S COMMENTS RE BILATERAL AIR AGREEMENT, PAA REP SUGGESTED THAT THE DISCREPANCY BETWEEN THE TERMS OF THE BILATERAL AND THE PRESENT STATE WAS PERHAPS DUE TO THE FACT THAT NOBODY AT THE TIME OF THE CONCLUSION OF THE BILATERAL IN 1955 COULD HAVE ENVISAGED THE DEVELOPMENT AND IMPORTANCE OF THE CARGO MARKET AND THE SIZE OF AIRCRAFT IN OPERATION NOW.

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5. NEUMEISTER PICKED UP THE SW SUGGESTION TO INVESTIGATE WHETHER IDEAS RE TRUCKING DEVELOPED THREE YEARS AGO AMONG ALL CARRIERS IN GERMANY COULD BE REVIVED AND PUT INTO ACTION FOR PAA/SW/DLH. AS A FIRST STEP, DLH SHOULD DISCUSS WITH THE FRG AUTHORITIES LEGAL PROBLEMS ARISING OUT OF THIS SUGGESTION, WITH THE UNDERSTANDING THAT THIS WOULD CONSTITUTE A SOLUTION FOR TRUCKING WITHIN THE FRG ONLY; BORDER-CROSSING TRUCKING WOULD BE SEPARATE MATTER BUT COULD BE TIED-IN LATER, AT WHICH TIME THE INTERESTS OF TWA MUST ALSO BE TAKEN INTO CONSIDERATION.

6. THE DISCUSSION THEN TURNED TO BORDER-CROSSING TRUCKING AND THE RATE STRUCTURE. IT WAS NOTED THAT DUE TO LIBERALIZATION OF TRUCK TRAFFIC WITHIN EC AREA, A PROHIBITION OF AIR CARGO TRUCKING WOULD BE UNENFORCEABLE. CARRIERS REPORTED ON DIFFICULTIES EXPERIENCED RECENTLY BECAUSE OF BRITISH CONTRACT RATES AND AGREED THAT THEY SHOULD TRY TO RELIEVE SUCH PRESSURE THROUGH PROPER RATE STRUCTURING. DLH REP POINTED OUT THAT THERE IS AN "OPEN RATE" SITUATION SINCE APRIL 9 WHICH DESPITE THE VANCOUVER CONFERENCE MUST BE EXPECTED TO LAST THROUGH THE END OF L977, EVEN THOUGH THERE IS SOME INDICATION THAT AN ARRANGEMENT FOR THE US/EUROPE/CANADA MARKETS MAY BE LOOKED FOR. COMMENTS FROM SW WERE INVITED ON ITS RECENTLY DISAPPROVED RATE FILING IN THE FRG. SW REP EXPLAINED THAT 15 AND 34 TON RATES SHOULD BE SEEN AS A MEASURE IN OPPOSITION TO CHARTERS. REFERENCE WAS MADE TO UK CONTRACT RATE WHICH HAD LED TO CAB ACTION IN COURT; MODIFIED CONTRACT RATES PROPOSED BY TWA WILL BE OPPOSED BY SW. DLH MOERS STATED THAT WHILE GERMAN CARRIER CANNOT SUGGEST SOLUTION, IT IS CONCERNED OVER EFFECT OF HIGH WEIGHT BREAK RATES BECAUSE CONSOLIDATORS WILL REEP THE PROFITS AND SW REP REPLIED

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THAT BASICALLY, THESE RATES ARE AN ATTEMPT TO HAVE A RATE STRUCTURE A LITTLE ABOVE CHARTERS TO GET SOME OF THE BUSINESS. DLH FAVORED A 500 KG RATE STRUCTURE BASED ON AN ANALYSIS OF WB TRAFFIC. THE GERMAN

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CARRIER ALSO INTENDS TO DISCUSS THE ELIMINATION OF
FAK RATES AT VANCOUVER. THERE IS A NEED FOR A RATE
STRUCTURE WHICH WILL ENCOURAGE SHIPPING OF CARGO
FROM POINTS WHERE IT IN FACT ORIGINATES. SW FELT
THAT THE QUESTION OF AUTHORITY TO CARRY CHARTERS ON
SCHEDULED SERVICES WITH IATA 045A RESTRICTIONS IS A
SOLUTION WHICH SHOULD BE PURSUED. THE CAB "CEASE
AND DESIST" ORDER IS BEING APPEALED.

7. NEUMEISTER OF DLH FELT THAT WAYS MUST BE FOUND
TO LIMIT THE RATE OF GROWTH OF CONSOLIDATORS BY NOT
ENCOURAGING THEIR ACTIVITIES THROUGH THE RATE
STRUCTURE. HE FELT THAT THE CARRIERS ARE NOT REALLY
SOLD ON HIGH WEIGHT BREAK RATES BECAUSE CONSOLIDATORS
ARE LIKELY TO USE THESE FOR THEIR INTERESTS AND NOT
THOSE OF THE SHIPPING PUBLIC. CARRIERS ARE COMPELLED
TO FIND A WAY TO KEEP THIS MARKET FOR SCHEDULED
OPERATIONS (DAILY RATHER THAN HEAVY WEEKEND
CONSOLIDATION) TO ASSURE PROPER UTILIZATION OF
EQUIPMENT. HE POINTED OUT THAT CHARTERS ARE ENCOURAGED
WHERE SCHEDULED CARRIERS DO NOT MEET THE MARKET RE-
QUIREMENTS (EXPERIENCE IN PASSENGER MARKET).
CARRIERS THEREFORE MUST WATCH DEVELOPMENTS CLOSELY,
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NOT SO MUCH FROM A CAPACITY POINT OF VIEW BUT WITH
RESPECT TO RATE STRUCTURING.

8. IN CONCLUSION IT WAS SUGGESTED THAT THE CARRIERS
SHOULD ASK THEIR GOVERNMENTS FOR AN EXTENSION OF THE

MOU TO OCTOBER 31, WITH THE UNDERSTANDING THAT A
VALIANT EFFORT WILL BE MADE AT VANCOUVER, INCLUDING
A SOLUTION FOR OCCASIONAL LARGE SHIPMENTS. IN THE
MEANTIME, DLH WILL HEAD A THREE-CARRIER WORKING
GROUP ON INTERNAL FRG TRUCKING, USING AS TERMS
OF REFERENCE THE APPROPRIATE PROVISIONS OF THE MOU.
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